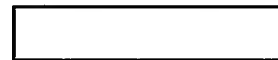


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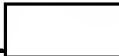
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State Dept. review completed

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SUMMARY

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FAR EAST

1. Yoshida seen likely to survive threat from new conservative alliance:

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Ambassador Allison believes that the 19 September agreement between conservative leader Hatoyama and Pro-gressive Party president Shigemitsu to

form a new conservative party will not result in a sudden shift of power prior to Yoshida's forthcoming world tour or during his absence.

Hatoyama's "defection" has been a blow to Yoshida, but there has been no upsurge of press or popular support for the Hatoyama-Shigemitsu combine. Fear is already being expressed among the Japanese that the alliance will result in further splintering of the conservative forces.

Allison notes that the new development appears to be part of a three-way struggle for control of Japan's conservative forces among the pro-Yoshida Liberals, the advocates of a single conservative party, and the Progressives and Yoshida-hating Japan Liberals.

Comment: Yoshida and his associates are counting heavily on his visit to the United States and other Western nations to restore his and the party's declining prestige. His conservative opponents are reviving the shipbuilding scandals in an effort to embarrass him and possibly block his trip in much the same manner the Socialists did early last summer.

Foreign Minister Okazaki informed Allison on 16 September that, while Yoshida was beginning to think of retirement, he would do so only if it could be arranged "peacefully," and would resist any attempt to force him out prematurely. The extreme factionalism among the conservatives suggests that Yoshida's elimination would bring no more than temporary political stability.

Hatoyama brought most of his dissident Japan Liberal Party back into Yoshida's Liberal Party in November 1953 and it is still uncertain whether he will again

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lead his 27 followers in the Diet out of the party, thereby seriously weakening Yoshida's position in the Diet.

2. South Korean army chief not consulted on anti-US statement issued in his name:

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Two top South Korean army officers in whose names a statement criticizing American Far Eastern policies was issued on 17 September, have stated they were unaware of its contents before the press published it. The statement criticized the Neutral Nations Supervisory Commission, the redeployment of American forces, and American policies toward Japan.

Army chief of staff General Chong told an American embassy officer that he and First Army commander General Paek were informed several days before that some sort of statement might be made, but were not told of its contents or date of release. Ambassador Briggs believes that General Yi, chairman of the Joint Chiefs of Staff and the third "signatory," may have known about it in view of his willingness to be a mouthpiece for the Rhee government.

The ambassador comments that the incident is another example of the way Seoul's current anti-American campaign is being conducted by President Rhee and his immediate supporters.


Comment: The Chong-Paek-Yi release was apparently issued in answer to a 17 September American embassy statement pointing out that future American aid was contingent on "wholehearted" South Korean co-operation, and is part of Rhee's campaign to influence the forthcoming United States-South Korean economic and military talks in Seoul.

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SOUTHEAST ASIA

3. Viet Minh rebuffing French bid for privileges in north:

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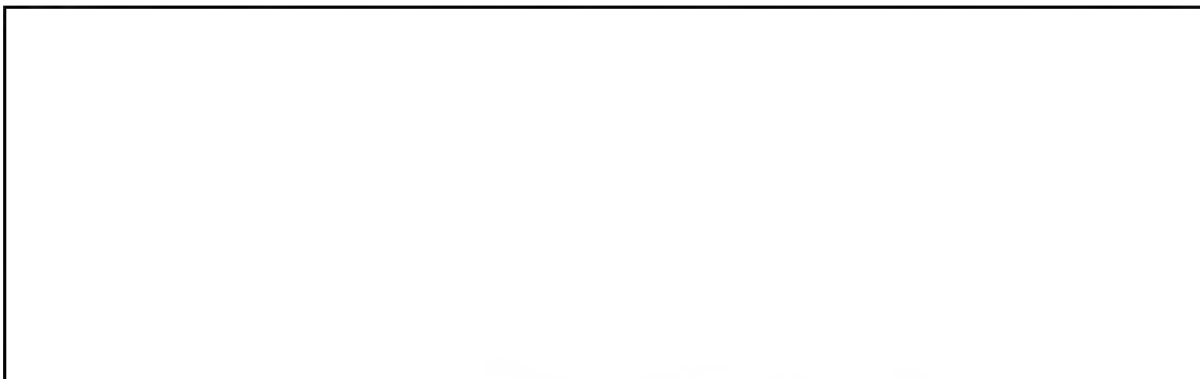
 Jean Sainteny, French representative to the Viet Minh, has been making little headway in his efforts to obtain guarantees for French economic and cultural interests in northern Vietnam, the American consulate in Hanoi reports. The Viet Minh authorities have made it clear that French businessmen would be able to make only limited, if any, transfers of profits to France, and as a result most of these businessmen are leaving, the consulate understands.

On cultural matters, the Viet Minh position is equally unpromising. The Viet Minh is apparently unwilling to permit French government-supported hospitals to function in the north, and will not agree to the use of French as the primary language in French-supported schools.

The one concession the Communist regime appears willing to make is to accord special status to French employees and technicians of essential public services.

Comment: The French authorities have attached considerable importance to what they understood to be a Viet Minh willingness to accord France a special status in the north, and have been at some pains not to antagonize the Viet Minh. Paris has encouraged French businessmen to remain in Hanoi and has resisted American efforts to apply strategic controls to trade with the Viet Minh zone.

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LATIN AMERICA

5. Comment on Chilean president's declaration of state of siege:

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[REDACTED] President Ibanez' declaration of a six-month state of siege in Chile on 20 September may be a move toward dictatorship. Under the constitution, his action may be challenged by the Congress only at its next regular session, in May 1955, or at a special session called by the head of the Senate at the request of a majority of the members of either house. The special session of Congress called by

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Ibanez for 23 September is not constitutionally authorized to consider the state of siege, since a special session called by the president may consider only subjects specified in the call.

Ibanez, who lacks majority support in either house of Congress, told Ambassador Beaulac on 31 July that if Congress refused a request for special powers, he would dissolve it and rule by decree.

Stronger personal rule by Ibanez would probably be supported by the army and national police, at least temporarily. Minister of Interior Parra, the number-two man in the government and a staunch supporter of Ibanez, commands the national police and is also the ranking general in the army.

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